

SECRET

NPIC/TSSG/DED-1133-68
26 April 1968

MEMORANDUM FOR: Director, National Photographic Interpretation Center

SUBJECT : Request for Approval to Pay Overrun on [] Contract
[] "Automatic Viewgraph Generator"

REFERENCE : PSG Memorandum 036/68, dated 12 March 1968

1. This memorandum requests approval to expend past year R&D funds for an overrun on the Automatic Viewgraph Maker. The specific request is contained in Paragraph 4.

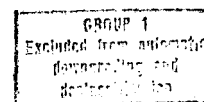
2. In FY-1967, NPIC contracted with the [] to fabricate two Automatic Viewgraph Generators for []. On 24 August 1967, NPIC representatives were informed by the company that there would be an overrun of [] to complete two Viewgraph Generators or [] to complete one. [] stated that the reasons for the overrun were that: (1) they did not estimate their costs correctly while the contract was being negotiated and, (2) they encountered unanticipated development difficulties. Specifically, [] claimed that a special cassette design was required to provide room light loading of the production material. Also, magnification requirements necessitated re-design of the optical head, copyboard orientation and elevator mechanism.

3. The Production Services Group has reaffirmed their need for the Automatic Viewgraph Generator in the referenced memorandum. During 1967, approximately 5,000 film positives were produced in the Photo Lab for incorporation in viewgraphs. This equipment will reduce the number of manhours as well as the time interval required to produce viewgraphs. The Imagery Analysis Staff has re-examined their need for the second Automatic Viewgraph Generator under the original contract. They have stated that their present anticipated use of the equipment would not justify the additional expenditure; as a consequence, we are recommending cancellation of one instrument.

4. The Technical Services and Support Group supports PSG's requirement for the Automatic Viewgraph Generator. It is recommended that the payment of [] be provided to [] to complete one of the

Declass Review by NGA.

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SUBJECT: Request for Approval to Pay Overrun on [REDACTED]
"Automatic Viewgraph Generator"

25X

units. Every effort should be made to negotiate this overrun on a cost ceiling arrangement. The Budget and Finance Branch has affirmed that sufficient FY-1967 funds are available to cover this cost.

25X

[REDACTED]
Chief, Technical Services & Support Group,
NPIC

Attachment:
Cost Data

APPROVED:

ARTHUR C. LUNDAHL

Director

Date

National Photographic Interpretation Center

Distribution:

Original - NPIC/TSSG/SS/LB (After Approval)

1 - NPIC/ODir

1 - NPIC/TSSG

1 - NPIC/TSSG/DED ✓

NPIC TSSG/DED/

[REDACTED] (26 Apr 68)

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25X1

Approved For Release 2005/06/06 : CIA-RDP78B04770A002800020022-7

Approved For Release 2005/06/06 : CIA-RDP78B04770A002800020022-7

TRANSMITTAL SLIP		DATE
TO: NPIC/TSSG/DED Attn: Joyce		
ROOM NO.	BUILDING	
REMARKS:		
<p>File copy</p> <div style="border: 1px solid black; width: 150px; height: 40px; margin: 10px auto;"></div> <p style="text-align: center;"><i>File #</i></p>		
FROM:		
ROOM NO.	BUILDING	EXTENSION

FORM NO. 241
1 FEB 55

REPLACES FORM 36-8
WHICH MAY BE USED.

(47)

monthly reports would be no problem.

DRAFT
18 October 1967

Attachment No. 1

Historical Data for Project #10197, Viewgraph Maker
Contract [] Project 9619

34 4 November 1966. [] submitted Technical Proposal, []

(dated 2 November 1966). Total price quoted for two units was

[] Of particular interest is section 5.2.3 of the proposal describing computerized PERT controls to predict costs and time periods for the completion of programs.

17 17 March, 1967. [] reported an increase in overhead and G&A rates and quoted a fixed price of [] for two units.

13 13 April 1967. Contract [] was executed with a target cost and target fee totalling [] The only amendment to [] proposal was the inclusion of ground glass port for viewing the image plane. This contract was a cost-plus-incentive-fee type. The period

of performance was to be from 13 April 1967 to 14 August 1967. *The fee was subject to an 80-20 share on all costs over or under target costs.*
21 21 April 1967. The Contracting Officer's technical representatives,

[] visited [] and discussed the project

with [] The designers expressed some concern about the adequacy of the 10-15 Platemaster in accomplishing the task. They decided to use an 11-17 Platemaster as a basic framework for the Viewgraph Maker.

[]

should be able to do for less.

X1 ~~8/~~ 8 May 1967. [] Layout Study J92208-115703 was completed. At this point areas requiring extensive design effort should have been identified.

X1 ~~8/~~ 12 May 1967. [] again visited [] to discuss the project. [] revealed no serious technical problems to be overcome. 25X

X1 ~~8/~~ 31 May 1967. [] sent its first monthly report. Some parts had already been ordered. Total costs were predicted to be exactly the target costs of the contract.

X1 ~~8/~~ 23 June 1967. [] sent its second monthly report. This report covered the period of 1 to 31 May. Some parts were received. Intended progress during the next month (June) predicted the completion of "...all design efforts." (emphasis added) and "Release all items for procurement." (emphasis added). No increase in costs were predicted.

X1 ~~8/~~ 24 July 1967. [] sent its third monthly report. This report covered the period of 1 to 30 June. Intended progress²³ during the next month again predicted completion of all design, drafting and procurement. No increase in costs were predicted.

X1 ~~8/~~ 11 August 1967. [] visited [] to discuss an overrun on another contract (PI Print Enlarger). [] was on vacation, but [] specifically questioned [] as to the status of funds for the Viewgraph Maker project. He assured [] that [] did not anticipate an overrun on Contract [] 25X
25X
25X
25X
25X

X1 15 August 1967. [] was called by [] and information 25X
was requested concerning the status of the funds. [] stated 25X
that he did not see any financial difficulties and in fact, thought
that he could possible complete the project for less than the target
costs.

12. 24 August 1967. [] and informed him 25X
of an anticipated overrun of about [] was reminded 25X
to check the details of the contract to determine his company's

obligation in spending more than target costs. *This was the first indica-
tion of an overrun status.*

X1 14 September 1967. [] delivered the fourth monthly report
covering the period of 1 to 31 July (It did not predict any increased
costs) On this same date, [] 25X

discussed the contract with the Government's Contracting Officer and
his technical representative and a Government auditor. A cost analysis
was presented by [] *which that* and estimated an additional [] *was* needed for 25X
the completion of the project.

X1 27 September 1967. Government personnel visited [] to discuss 25X
the project. [] presented an analysis of the Viewgraph

Maker. He discussed technical areas where design problems had
occurred. However, these problems *had been* ~~were~~ not relayed to the Government
previously nor did the monthly reports *indicate any difficulties.* Statements were made in all

monthly reports *that* there were no unresolved technical matters. [] *was* 25X
requested to absorb their overrun costs and propose again costs again.

X1 12 October 1967. [] delivered a revised analysis of costs *proposal*
for the Viewgraph Maker.

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DRAFT

NPIC / TDS / P

~~Oct 17, 1967~~

17 October, 1967.

Memorandum For The Record.

Subject: ~~Anticipated~~ Overrun of Project #10197,~~Viewgraph~~ Viewgraph Maker [Contract] [redacted]

and Project #10147, PI Print Enlarger

[Contract] [redacted]

(Project 9619 and 9618, respectively)

1. ~~The following~~ This memorandum presents a suggested format for a letter to [redacted] corporate personnel requesting that they review the subject projects.
2. The ~~Viewgraph~~ Maker Projects for the Viewgraph

Maker and the PI Print Enlarger are presently under

separate contracts with the [redacted] The contractor

predicts that both of these contracts will require about

~~50 per cent more funds than originally target proposed~~

~~to complete~~

a 50 per cent overrun to complete. The Government is

seriously concerned about the magnitude of these overruns

and the fact that they were not ~~predicted until~~ anticipated

sooner. It is ~~the Government's~~ hoped that will

carefully examine ~~their~~^{its} performance on these contracts ~~and~~

~~considers absorbing all or a portion of the overrun costs~~

to determine if they are representative of the standards by which

is to be judged.

~~2. In order~~

3. Attached are ~~chronological~~ significant

historical data for each project. ~~At~~ Comments are included

~~occasionally to present additional~~
to present significant aspects of cited documents or events.

~~3. The Government~~

4. At this time, the Government can find no

~~technical~~ gross technical deficiencies in the basic concept of

the equipment being furnished under the ^{subject} contracts, ~~However~~

although ~~the final~~ a thorough evaluation of technical

performance must of course rest on the acceptability of the

delivered items. However, ~~since~~ the target costs of the contracts

have already been ~~spent~~ committed and ~~since~~ estimates

considerable design and engineering effort yet to be carried out.

This, and comments from ~~monthly reports~~ July

monthly report for the PT Print Enlarger (Statement A.3.-

"Redesign was effected in a number of major areas.") ~~indicate~~

suggest that technical performance was open to some criticism.

● ~~The most serious~~

5. The most disturbing aspect of



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performance rests in its inability to predict costs ~~either~~
~~with~~

before or after contract negotiations, ~~with~~ The Government

● puts great trust in ~~the~~ a contractor's ability to accurately

account for past costs and to predict future costs with a reasonable

degree of accuracy. When the contractor grossly underestimates

his future efforts he creates administrative delays that prolong the

completion of the project. He may also disturb the ^{Government's} R and D budget

to such an extent that other projects ~~are~~ are jeopardized jeopardized.

~~In the project~~

In the two projects under discussion, [] consistently

predicted via its monthly reports that the projects were

\$ in no financial difficulty. [] ^{last} monthly reports

were delayed but verbal contacts with [] project managers

predicted no overruns. When [] suddenly predicted

a 50 per cent overrun on the PI Print Enlarger, it ~~was~~ the

Government was immediately concerned about the financial

status of the Viewograph Maker. However, two [] personnel

reported that the ~~Viewograph~~ latter project ~~was~~ financially would

not have an overrun. ^{Within two weeks,} ~~Shortly after,~~ this statement was

contradicted by the same personnel and a 50 percent overrun

was estimated

6. [] ~~proposed both~~ submitted independent

proposals for the PI Print Enlarger and for the ~~View Graph~~ ^{Viewograph} Maker.

The contracts were negotiated and signed at different times. []

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should have ^{estimated} ~~based~~ its target costs on the basis that only one contract

would be signed. ~~How~~ Since both contracts were let, and since both

projects had considerable ^{common} technology, design and even component parts,

[] should have been in a position to exploit these commonalities

to the financial benefit of itself and the Government.

7. ~~13.~~ [] has informed the Government's Contracting Officer

that it will not accept its estimated total costs to complete the

projects as a ceiling price. Therefore, the Government is ~~if left~~

confronted with an uncertain total cost for either project and

cannot assess the cost effectiveness of the equipment.

8. ~~8.~~ Due to the magnitude of the ~~predominant~~ estimated

overruns and because of ~~the~~ [] uncertainty of these overruns the

Government may be forced to terminate these contracts. This would

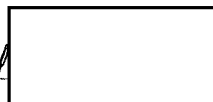
mean that the Government would have spent a considerable amount of money and received virtually nothing for it. The Government

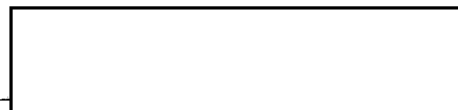
~~ask~~ [] ~~to~~ requests that [] review both projects and

suggest any alternative courses of action ^{that would be} ~~that would be~~

~~Other~~

of more advantage to the Government and





Dev Staff /

Attachments:

Historical Data for Project #10197, Viewgraph Maker

Historical Data for Project #10177, PT Print Enlarger

Distribution:

Original - Route & File

1 - Contracting Officer, NPIC.

1 - Originator

2 - NPIC/TDS/DS

~~Attachment~~

Historical Data For Project #10197, Viewgraph Maker

Contract ~~Contract~~ [redacted]
[redacted] Project
[redacted] Contract 9619.

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1. [redacted]
[redacted] submitted Technical

1. 4 November, 1966 [redacted] submitted Technical Proposal,
[redacted] 66-3560-1 (dated 2 November, 1966). Total price

quoted for two units was [redacted] Of particular interest
is section 5.2.3 of the proposal describing computerized PERT controls to
predict costs and time periods for the completion of programs.

2. 17 March, 1967. [redacted] reported an increase in overhead and
G & A rates and quoted a fixed price of [redacted] two
units.

3. 13 April, 1967. Contract [redacted] was
executed with a ~~lot~~ target cost and target fee totalling

[redacted] The only amendment to the ~~contractor's~~ [redacted]
proposal was the inclusion of a ~~glass~~ ground glass port
for viewing the image plane. This contract was a
cost plus incentive fee type. ~~with~~ The period of performance
was to be from 13 April 1967 to 14 August 1967.

[Handwritten signature]

4. 21 April ~~and 12 May, 1967~~ The Contracting Officer's technical

representatives,

visited

and discussed the project with

The designers expressed some concern at the initial

~~meeting~~ about the adequacy of the 10-15 Platemaster ~~to~~ in

accomplishing the task. They decided to use an 11-17 Platemaster

~~to~~ as a basic framework for the Viewgraph Maker.

5. ~~31 May, 1967~~

~~finished~~ wrote its first monthly

report.

5, 8 May, 1967.

Layout Study J92208-115703

was completed. At this point ~~all major if any~~ areas requiring

extensive design effort ~~found~~ should have been identified.

6. 12 May, 1967

[redacted]

again

25

visited [redacted] to discuss the project.

[redacted]

25

[redacted]

~~expressed no~~ revealed no serious technical problems

● to be overcome.

7. 31 May 1967.

[redacted]

sent its first monthly report. This

~~report covered~~
Some parts had already been ordered. Total ~~costs~~ costs were predicted to be exactly the target costs of the contract.

8. 23 June 1967.

[redacted]

sent its second ~~month~~ monthly report.

● This report covered the period of 1 to 31 May. Some parts were received. Intended progress during the next month (June) predicted the completion of "i.e. all design efforts." (emphasis added) and ~~and~~ "Release all items for procurement." (emphasis added). No increase in costs were predicted.

9. 24 July 1967.

[redacted]

sent its third monthly report. This

report covered the period of 1 to 30 June. Intended progress during the ~~month~~ next month again predicted completion of all design, drafting and procurement. No increase in costs were predicted.

10. 11 August 1967. [] visited [] to discuss an overrun on another contract (PI Print Enlarger). Mr. [] was on vacation but [] specifically questioned [] as to the status of funds for the Viewgraph Maker ~~and~~ project. He assured [] that [] did not anticipate an overrun on contract [] ~~and~~

11. 15 August 1967. ~~The following week~~, [] was called by [] and information was requested concerning the status of the funds. [] stated that he did not see any financial difficulties and in fact, thought that he could ~~possibly~~ possibly ~~possibly~~ complete the project for less than the target costs.

12. 24 August, 1967. [] visited [] and informed him of an anticipated overrun of about []. [] was reminded to check the details of the contract ~~since there was~~ to determine his company's obligation in spending more than target costs.

13. 14 September, 1967. [] delivered ^{the fourth} monthly report covering the period of 1 to 31 July. It did not predict any increased costs. On this same date, Mr. [] discussed the contract with the Government's Contracting Officer and his technical representative and a Government auditor. A cost

analysis was presented by [] and estimated an additional

[] needed for the completion of the project.

14. 27 September, 1967. Government personnel visited []
to discuss the project. [] presented an analysis
of the Viewgraph Maker. He ^{discussed} ~~presented several reasons why~~
technical areas where design problems had occurred. However,
these problems were not relayed to the Government ~~at~~ previously
nor did the monthly reports. ~~Unresolved~~ Statements were made
in all monthly reports that there were no unresolved technical
matters.

Draft

Attachment No. 2.

18 October 1967.

Historical Data for Project #10147, PI Print Enlarger

Contract

Project 9618

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1. 8 September 1966. [] submitted Technical Proposal, [] 66-3557-1. Total price quoted was [] based on a fixed price ~~to~~ contract.

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2. January 1967. [] reported an increase in overhead and G&A rates and quoted a fixed price of []

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3. 27 February 1967. Contract [] was executed with a target cost and target fee of totalling [] Included ~~was~~ ^{were} an addition of seven items as an addendum to the Contractor's proposal. This contract was a cost-plus-incentive-fee type. The period of performance was to be from 27 February to 27 September, 1967. The fee was subject to a 90-10 share on all costs over or under target costs.

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4. ~~4~~⁵ (Insert 4⁵ here)

6. ~~4~~⁵ 21 April 1967. The Contracting Officer's technical representatives, [] visited [] to discuss the project with [] Many technical details were discussed but [] expressed no concern over ~~their difficulty~~ the difficulty of their solution.

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4. 13 April 1967. submitted its first monthly report for the period of 28 February to 31 March. ~~1~~ More than 10% of the work was reported^{as} complete with a proportionate amount of funds being spent.

~~4. 3 March 1967~~

5. 18 April 1967. By this date, ~~the~~ layout drawings
92208-124100, J 124577 and J-124578 were
completed by At this point, areas requiring
extensive design effort should have been identified.

7. ~~#~~ 12 May 1967. [redacted]

again visited [redacted] ~~and~~ reported on his ~~own~~ progress on the PI Print Enlarger. Many Technical ~~and~~ areas were again discussed

8. 12 May 1967 [redacted]

second monthly report covering the period of month of April. was sent. Design of the condenser lenses was reported about 90% complete. Drive design was 50% complete, frame 100%, vacuum platen 90%, paper transport ~~was~~ 50%. [redacted] requested revision of exposure time from "less than one second" to ".5 to 2 second range."

9. 20 June 1967. The third monthly report was sent covering the ~~period~~ month of May. Condenser lens design was reported as complete. ~~At this time, my large discrepancy between the project estimate for the lenses and the price for their probable cost should the estimated cost for the condenser lenses (made submitted prepared for [redacted] proposal) should have been obvious.~~ Electrical parts were being ordered. ~~the~~ Circuit drawings were being prepared.

10. July 1967 [redacted]

informed [redacted] that the June monthly report was nearly complete but that there was a delay by ~~the~~ the accounting department in completing

~~The ~~the~~ financial~~
the status of funds. [] gave no indication at this
time that there ~~was any financial~~ ~~overrun~~ would be any overrun.

11. Week of 29 July, 1967. []

[] called to report an anticipated overrun of approximately

12. 11 August 1967 []

visited []

[] intent was to review
every detail, if necessary to determine where costs might be
reduced. However, nearly all of the design was reported as complete
and most of the parts were ordered.

13. 14 September 1967. []

delivered a cost analysis to the Government. An overrun of
[] was predicted. One of the items reported as contributing
to the overrun was the cost of the condenser assembly. It was
estimated as [] while the actual price was [] ~~Why~~
~~of difference of this magnitude~~ this could not have been predicted
3 or 4 months sooner was not explained. The July and
August monthly reports were also delivered at this time

14. 27 September 1967. Government personnel visited [] discuss the project [] presented several reasons for the PI Print Enlarger overruns. However, the reasons indicated were under [] control for several months. If the overruns could not have been prevented, they should have at least been foreseen earlier. In fact, many of them should have been obvious before the contract was ~~designed~~ negotiated.

15. 12 October 1967. [] delivered a revised²⁵ analysis of costs for the project. ~~Page 5 under showing the total cost to complete of the third monthly report~~ Included in this analysis was a copy of the third monthly report. Page 5 indicates that there was ~~a~~ [] overrun estimated ~~at~~ on²⁵ 26 May. This information has been changed and does not agree with the third monthly report previously delivered to the Government. ~~report~~ The latter report predicted no ~~over~~ overrun. The analysis also indicates 600 hours of engineering, design and drafting ~~left~~ to be completed. This ~~to~~ information does not conform with information gathered at the 11 August meeting.